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## **STAKEHOLDERS AND RESOURCES IN PUBLIC HOSPITALS. TOWARDS AN INTEGRATED VIEW**

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### **Background**

Public organizations need to satisfy their stakeholders to obtain political legitimization and the resources that follow it. According to the resource dependence theory (RDT), organizations should pay more attention to the stakeholders who control resources critical to the organization than to stakeholders who do not control vital resources. On the other hand, consistent with the resource based view (RBV), if they are to operate, act on opportunities and minimize threats, which is necessary to satisfy key stakeholders, they need resources and capabilities. Thus stakeholders might be seen as a link between external and internal resources.

### **Purposes**

Our research attempted to comprehend the logic of strategic choices referring to stakeholders and resources. The underlying question was about the ability of recognizing the resources necessary for operating and satisfying key stakeholders. We attempt to thoroughly understand the decisions taken by public hospitals in relation to their stakeholders and the resources needed for their operation. Providing quantitative findings, we aim at answering the question how the resource based view (RBV), resource dependence theory (RDT) and stakeholder management can be used to explain the decisions made in public organizations in terms of stakeholder management.

### **Methodology/Approach**

We used a survey and two vignettes to test the presented hypotheses. The research sample was 93 public hospitals operating in southern Poland.

### **Findings**

Our research shows that applying orientation both towards RBV and RDT is positively correlated with organizational effectiveness. Managers use these two approaches to take actions oriented towards meeting the goals of the stakeholders, although we found that RBV is the fundamental approach. Although we expected that they invest resources in relationships with these stakeholders that allow them to acquire further resources, we found no support for this assumption.

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### **Practical implications**

An organization's ability to configure its own resources and acquire resources from its environment may determine whether it is able to achieve competitive advantage or not. Managers may have insufficient skills in stakeholder management, recognizing both the internal and external resources and presenting their own resources to be able to gain resources from the stakeholders. Building competencies in strategic management is necessary among managers operating in a healthcare setting.

**Keywords:** stakeholders, RBV, RDT, organizational effectiveness, public hospitals

**DOI:** 10.15611/aoe.2018.1.11

## **1. INTRODUCTION**

Most hospitals in Europe are being put under mounting pressures: on the one hand the increasing demand for specialized medical services and the high level of patients' expectations can be observed, and on the other – budget restrictions frame hospitals' services. On that account, healthcare organizations now need to reinvent their business and operational models and improve their performance.

Public sector organizations come into existence and live on serving the interests of many stakeholders. The ability to identify and build capacity in order to produce the greatest value at a cost reasonable for key stakeholders is the key to public organizations' success (Bryson, Ackermann, Eden, 2007). Since value means different things to different stakeholders (Bowman, Ambrosini, 2010), the process of decision-making is difficult and complex. Public organizations may influence stakeholders to win political legitimization as well as resources to finance their operations (Rainey, 1997).

Like any other organization, public hospitals need resources in order to operate. Thus, it is indispensable for managers of public hospitals to provide and develop resources that are relevant to the hospital's functions. Conceptualized as open systems, public hospitals are dependent upon negotiating with other organizations for the resources and legitimacy required for their survival (Scott, 1998). Consequently, managers' actions are conditioned by the presence of a diversity of constituent interests.

In our research we make an attempt to better understand decisions that are taken by public hospitals in relation to their stakeholders. Following Hansen and Ferlie (2014), who argue that the possibility for using strategic management models in public organizations depends on their core features: administrative autonomy, performance-based budgeting and market-like

competition, which in our opinion are present in the healthcare sector to a high extent, we posit that applying both the resource based view (RBV) and resource dependence theory (RDT) is justified.

## 2. CONCEPTUAL FRAMEWORK

### *Stakeholder theory in the context of public sector*

As Rainey (1997) states, public institutions come to life and exist by serving the interests of groups influential enough to sustain the political premise and provide funds for their existence. If key stakeholders are not satisfied, at least to a minimal degree, by their standards, it will only be natural that an organization's budget and operations will be cut, which will lead to redundancies and abandoned initiatives. As a result, the effects of processes occurring in public organizations should balance the interests of different stakeholder groups (Hillman, Keim, 2001). Moreover, stakeholder satisfaction involves meeting these needs which are perceived as valuable in the hierarchy of a particular stakeholder. The fact that public organizations have a large number of important stakeholders whose interests are often in opposition to each other is undeniable and entails the necessity to manage stakeholder relationships as part of a strategy.

Successful stakeholder management requires firstly recognizing who really counts and then balancing stakeholder interests, which may be described as a process of assessing, weighing and addressing the competing requests of those who have an interest in the actions of an organization (Reynolds, Schultz, Hekman, 2006). Mitchell et al. offered stakeholder saliency for conceptualizing and measuring the significance of stakeholder claims (Mitchell, Agle, Wood, 1997). According to their definition, stakeholder saliency is the extent to which a stakeholder is powerful, legitimate, and the claim is urgent. They suggest that stakeholder saliency determines a manager's perception of who and what is of actual importance in any stakeholder decision (Reynolds, Schultz, Hekman, 2006).

Some scholars suggest that understanding stakeholder management requires integrating different theories, such as institutional, resource dependence, resource-based and organization cognition (Agle, Mitchell, Sonnenfeld, 1999; Eesley, Lenox, 2006; Mitchell, Agle, Wood, 1997). In our opinion, it may be advantageous to understand how resources are linked to stakeholder management, e.g. whether in making the decisions which affect the level of stakeholders expectations organizations rely more on internal or external resources.

### *An organization and its resources: two views on performance*

The primary objective of strategic management research is the answer to the question why some firms consistently outperform other firms (Barney, Clark, 2007). In a wider perspective, we can indicate two major solutions to this problem. One seeks competitive advantage within the organization, in particular in its resources. The second stems from Porter's positional school, which assumes that the organization's performance strongly depends on its environment, therefore the organizational strategy should be the result of the organization's competitive position in the industry. As a result, two well-acknowledged theories use resources as the underlying perspective to explain the performance of organizations: the resource based view and resource dependence theory.

RBV represents an inside-out perspective which focuses on the internal characteristics of a firm. The central question in the resource-based literature is of what resources and capabilities will bring the expected performance to the company (Amit, Schoemaker, 1993; Barney, 1991). According to RBV, the organization's internal resources are distinctly seen as the main source of competitive advantage. Organizations should seek to exploit and develop heterogeneous resources to gain a sustained competitive advantage. Competitive advantage can be achieved by implementing a value creating strategy that cannot be simultaneously implemented by other competitors. It can be achieved if its resources are influential, valuable, rare, inimitable, and non-substitutable (Barney, 1991). The main emphasis is on efficiency in relation to using the organization's unique resources to gain competitive advantage and value creation (Peteraf, Barney, 2003).

Although RBV addresses ways to make profit and achieve a competitive advantage by creating strategies that cannot be imitated by others – all seen as problematic in traditional public organizations – it focuses on value creation, goals of efficiency, and valuable resources (Hansen and Ferlie, 2014). Currently, public management theorists are strongly influenced by RBV (e.g. Rainey, Steinbauer, 1999; Bryson, Ackermann, Eden, 2007), and emphasize its importance for the results of public agencies. However, RBV's focus on keeping or isolating the resources for the organizations itself may be a kind of a limitation for those public organizations that have changed to being quasi-market organizations and use market-like logics with a greater focus on competitive advantage, competitors, quasi-profit, etc. This can be contrary to value creation for the wider set of legitimate stakeholders (Hansen and Ferlie, 2014) with whom an organization has interdependencies.

Interdependence lies at the core of Resource Dependence Theory (Hillman et al. 2009) which has its roots in Emerson's classic "Power-Dependence Relations" (1962) and Pfeffer and Salancik's *The External Control of Organizations* (1978). Its tenets explain why organizations interact with their environments. According to RDT, in order to achieve competitive advantage, organizations must acquire those resources which are critical to the performance of their activities. These resources can be obtained from the environment or, more simply, from other organizations. As critical resources are located outside organizations, they depend upon their resource suppliers (Blau, 1964; Aldrich, 1979). Organizations are constrained by the network of interdependencies with other organizations. This interdependence, when coupled with uncertainty about the actions of resource providers, leads to a situation in which survival and continued success are uncertain. As a result, organizations take actions to manage external interdependencies and produce new patterns of dependence and interdependence (Hillman, Withers, Collins, 2009). Success in the acquisition of scarce resources determines the power of an organization in comparison to other organizations in its environment. In other words, power might be seen as the control over vital resources (Ulrich, Barney, 1984).

RDT's emphasis on the importance of the environment is also highlighted by other theoretical perspectives such as population ecology (Hannan, Freeman, 1989), institutional theory (Meyer, Rowan, 1977), and transaction cost economics (Williamson 1975, 1985). However, according to RDT, managers are motivated to reduce resource uncertainty and can influence the environment. Managers applying RD to creating strategy need to consider:

1. What resources does the organization need?
2. To what extent is reliance on other organizations necessary to achieve organizational goals?
3. What individuals or organizations can provide the resources that the organization needs? (Malatesta, Smith, 2014).

Although RBV seems to be the dominating approach towards analyzing the resources of public organizations, it has also been used in fields such as education, health care, and public policy (Wry et al.2013). More recently, Hollandsworth (2017) presents insights for RDT in the organizational context of a public agency and struggles for control over decision rights, investment priorities, and even routine operational choices. He demonstrated that "*the managers of a public agency that is pulled in divergent directions by powerful stakeholders with conflicting priorities and uncertain future resource commitments will try to minimize political risks, engender compliance, satisfy, and avoid controversial decisions in order to survive*".

### ***Stakeholders and resources: an integrated view***

One might cite several reasons why integrating stakeholder theory with resource based and resource dependence views might be prove to be fruitful.

First, similarities between stakeholder theory and RDT may be found. They both consider the interdependencies of an organization and its stakeholders. Stakeholders regularly place competing claims on an organization's resources (Freeman, 1984; Hosseini, Brenner, 1992). Stakeholders may be defined as constituents who supply the organization "with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)" (Hill, Jones, 1992, p. 133). Pfeffer and Salancik (1978) argue that the organization is particularly susceptible to the influence coming from those stakeholders which have resources that are critical for the organization. In compliance with the resource dependence theory, one of the motivations behind the organization's attempts to build relationships with stakeholders is the necessity to obtain the resources possessed by stakeholders (Mitchell, Agle, Wood, 1999). The more critical a given resource is, the more power stakeholders can execute over the organization by their sheer refusal to make the resource available to the organization (Frooman, 1999). On the other hand, RDT does not offer an explanation as to which dependencies between an organization and its stakeholders take precedence. Linking the multiplexity of dependencies with stakeholder importance may serve as an explanation when managing these dependencies (Hillman, Withers, Collins, 2009).

Second, stakeholder theory and RBV are complementary. RBV has been criticized for not providing guidelines on how organizations should manage resources to gain competitive advantage, whereas stakeholder theory offers a perspective on how firms should manage their stakeholders to develop competitive resources. Stakeholder theory also explains how a firm's stakeholder network can by itself serve as a source of competitive advantage (Freeman et al. 2010, p. 114).

Third, some scholars (Medcof, 2001) argue that RDT and the RBV could and should be combined. Scott, Ofori-Dankwa, Justis (2008) claim that resource-based factors and cognitive factors affect the extent to which organizations accommodate interest group pressures. Pfeffer and Salancik (1978/2003) also point to the fact that the theories that emphasize the importance of environment tend to neglect the processes of gaining resources. And vice versa, Coff (1999) asserts that the assumption of a direct link between rent generation and firm performance is inaccurate and

misleading. He believes it is not sufficient to say that strategic resources generate a rent for the “firm” without decomposing the firm into stakeholders who appropriate the rent.

Finally, stakeholder theory, RDT and RBV seem to overlap. Integrating these perspectives may provide new insights into the organizational resource endowments, and explain how organizations obtain competitive advantage by obtaining valuable, rare, non-substitutable, and imitable resources from the external environment, thus building its resource base. Moreover, integrating these perspectives enables one to understand how organizations specify resource needs (internal view) and how they obtain these valuable resources (external view). Consequently, a comprehensive view of how obtaining control over critical resources and achieving interdependencies around critical resources lead to competitive advantage (Hillman, Withers, Collins, 2009). As any organization is dependent on its stakeholders for the majority of the resources it acquires, RDT provides a bridge between stakeholder theory and the resource-based view (Freeman et al. 2010, p. 114).

### ***Hypotheses***

#### *Reconciling the contradiction between the orientation towards RBV and RDT*

Each organization needs resources and capabilities, has to take their environment into account, and negotiate with relevant sources of funding (Matthews, Shulman, 2005). Also public hospitals, if they are to obtain financing from NFZ and attract customers (patients), must present some base of resource. Meeting the needs of stakeholders requires a strategy that balances external and internal resources. Thus, we propose that:

*H1: Orientation towards both RBV and RDT is used in the strategic management of hospitals.*

#### *Orientation towards RBV, RDT, and performance*

A significant number of researchers indicates a correlation between strategic orientation and performance. First, organizations differ in performance because they possess different resources and capabilities (Barney, 1991). Second, performance may be attributed to the alignment of organizational behaviour with performance (Hillman, Withers, Collins, 2009), in which implementing appropriate strategies to reduce uncertainty has a positive effect on organizational performance. Hence, we assume that:

*H2: Applying orientation towards both RBV and RDT will result in better performance of hospitals.*

#### *RBV and RDT logic in strategic decisions relating to stakeholders*

The research is also aimed at determining the extent to which RBV and RDT logic are used for making strategic decisions oriented towards stakeholders, and determining the perceived conditions of such logic. According to the resource-based view, the first step is recognizing own resources and capabilities as well as building the strategy of an organization on its strengths. The underlying assumption is that the resources owned by the organization are the source of its success. Consequently, hospitals should meet the expectations of stakeholders. The resource dependence theory suggests that relationships with the environment (stakeholders) and the ability to obtain resources from it is crucial for an organization. As we found no similar indications in previous works, we formulated two equivalent hypotheses:

*H3a: The underlying logic of strategic decisions relating to stakeholders is based on RBV.*

*H3b: The underlying logic of strategic decisions relating to stakeholders is based on RDT.*

*Building resources to acquire resources in the context of stakeholders*

RBV implies that building competitive advantage by means of own resources, as a result of investments in various resources (important for various stakeholders), should bring positive results. RDT suggests obtaining crucial resources from other organizations (stakeholders), so the most important stakeholders might be seen as those able to supply an organization with resources. We perceive the relations between stakeholders' expectations, and internal and external resources, as overlapping. Investing in resources and capabilities that are expected by stakeholders denotes the hierarchy of stakeholders. The investments in such relations should in turn enable obtaining crucial resources from stakeholders.

H4: Hospitals invest resources in relationships with those stakeholders that allow them to acquire further resources.

### 3. RESEARCH PROJECT

The research was carried out in 2011 on a target sample comprised of 93 Polish public hospitals<sup>1</sup>. In Poland, hospitals are organizations which generate the highest operating costs, are often heavily indebted and have

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<sup>1</sup> The total number of public hospitals in 2011 was 501. We focused on the southern region of Poland (the Silesian, Lower Silesian and Opole Voivodeships) where 120 hospitals were operating in 2011.

limited possibilities of applying business management methods due to their status. The implementation of the social insurance reform in the Polish healthcare system has led to the gradual redefining of the functioning of these organizations and the reorientation towards the use of rational management methods. The Polish healthcare market operates on the basis of the monopsony model, and public organizations, while contracting services for the National Health Fund (NFZ), have no right to use funds other than insurance funds to finance their current operations. This, on the one hand, greatly impairs their competitiveness in the healthcare services market, but on the other hand, it increases their chances of entering into a contract with the NFZ.

In order to analyse the strategic decisions in the prism of stakeholders and the impact of the resources owned by an organization or available in its environment on strategy formulation, we conducted quantitative research by means of a questionnaire including questions based on the 7-item Likert scale, and two vignettes.

First, to test hypothesis *H1*, we built the questionnaire with the intention of assessing if managers make their decisions to satisfy key stakeholders using resources that are owned by the organization or can identify valuable resources possessed by stakeholders. Further on, this shall be referred to as “orientation towards RBV” or “orientation towards RDT”. The 5-item tool was designed using the logic of contradictions between the aforementioned theories, and its items include the following areas (Matthews, Shulman, 2005; Nemati, Bhatti, Maqsal, Mansoor, Naveed, 2010; Bryson, Ackermann, Eden, 2007):

- the belief about the external or internal location of strategic resources;
- the identification of internal or external resources;
- setting goals based on internal or external resources;
- building competitive advantage based on internal or external resources;
- building stakeholder relationships based on internal or external resources.

To measure effectiveness we asked managers to assess the results of their hospitals in terms of financial results, liabilities, market share and reputation.

Two vignettes were used as well. A vignette is “a short, carefully constructed description of a person, object, or situation, representing a systematic combination of characteristics” (Atzmüller, Steiner, 2010, p. 128). They can be used for discovering many phenomena in management studies, including managerial judgments and decision-making processes

(Aguinis, Bradley, 2014). Vignettes are not intended to re-create real-world situations, but to isolate and measure key aspects of the decision-making processes that individuals use in real world situations. Among others, vignettes should not be longer than necessary (typically between 50 and 500 words), follow a narrative, story-like progression, use the present tense, avoid placing the participant in the vignette, facilitate participant engagement and thinking by including vague or ambiguous elements (Evans et al. 2015).

To examine hypotheses *H3a* and *H3b*, we designed a vignette in which the respondents were requested to allocate six points between two decision options. The first relates to a situation in which the starting point is assessing the organization's internal resources, and the second describes the opposite situation.

The last hypothesis was tested using the second vignette which describes different situations in which a decision on money allocation, concerning different stakeholder expectations, is needed.

#### 4. FINDINGS

In order to determine how organizations cope with reconciling orientation towards internal and external resources, strategic profiles of reconciling contradictions were calculated for each organization using the following formula (Bratnicki, 2001, p. 160):

$$d = \sqrt{(7-x)^2 + (7-y)^2},$$

where:  $x$  denotes points given to the first question in the pair, and  $y$  denotes points given to the second question in the pair of questions that represent analyzed contradiction.

The longer the calculated distance, the less reconciled the contradictions and the bigger the strategic risk appearing in the paradox. Over half of the hospitals are located in the safety area, which means they can use both the RBV and RDT approach to a high extent. Only 2.2% of the examined hospitals use one logic mostly (danger area). The rest experiences some difficulties, however they still use both types of logic to some extent (Table 1). The best reconciliation of contradictions refers to the identification of internal and external resources, and building competitive advantage based on internal and external resources (Table 2).

Table 1  
Strategic profile of reconciling contradictions

Reconciling contradiction – areas	%
Safety area (0 – 2.83)	55.9
Warning area (2.84 – 5.66)	41.9
Danger area (5.67 – 8.49)	2.2

Source: own study.

Table 2  
Reconciling contradictions

Contradiction	Average
The belief about external or internal location of strategic resources	4.12
The identification of internal or external resources	1.41
Setting goals based on internal or external resources	4.24
Building competitive advantage based on internal or external resources	1.41
Building stakeholder relationships based on internal or external resources	3.16

Source: own study.

To sum up, the examined hospitals use both RBV and RDT logic, with the majority using both types simultaneously. There is also a strong correlation between them ( $r = 0.65$ ,  $p = 0.05$ ). Thus, we found support for *H1*.

Table 3  
Correlations between reconciling RBV / RDT and performance

	Financial results	Mature liabilities/ total liabilities	Market share	High reputation
The belief about location of strategic resources	<b>-0.233</b>	-0.128	<b>-0.113</b>	<b>-0.281</b>
The identification of internal and external resources	<b>-0.243</b>	-0.074	<b>-0.156</b>	<b>-0.322</b>
Setting goals based on internal and external resources	-0.054	-0.06	-0.067	-0.091
Building competitive advantage based on internal and external resources	<b>-0.242</b>	-0.156	<b>-0.216</b>	<b>-0.348</b>
Building stakeholder relationships based on internal or stakeholder resources	-0.156	-0.079	<b>-0.221</b>	<b>-0.252</b>
Total	<b>-0.262</b>	-0.139	<b>-0.217</b>	<b>-0.365</b>

Note: Statistically significant correlations are in bold ( $p = 0.05$ )

Source: own study.

The next table presents the results of the correlation coefficients between reconciling contradictions and performance. We operationalized performance as financial results, market share, reputation and the share of mature liabilities in total liabilities.

As we experienced difficulties in obtaining objective hard data, we relied on the managers' perception. We found some correlations between reconciling RBV and RDT logic, and performance. The strongest relation between reconciling RBV and RDT logic refers to the reputation of the hospitals. There is also some dependency on financial results and market share. Here, the adverse coefficient implies that the better the hospitals reconcile the contradictions between RBV and RDT logic, the better their performance is. Although the values presented in Table 3 are not very high, we claim that H2 may be partially supported.

To examine hypotheses *H3a* and *H3b*, we designed a vignette in which the respondents were requested to allocate six points between two decision options that a hypothetical manager of a hospital may take. The decision choice reflecting RBV was manifested by the following statement: "While developing plans for the hospital, one should start with the analysis of the resources possessed by it, followed by the consideration whether the hospital is capable of meeting the needs of important stakeholders. On such a basis, a decision how to use the resources optimally needs to be made". The analysis of the distribution of the decision choice responses typical of the resource orientation reveals that the average for this choice was 3.37.

Table 4

Descriptive statistics for the decision-making process oriented towards RBV and RDT

Variable	N	Mean	Median	Mode <sup>2</sup>	Min	Max	SD
A number of points assigned to the logic of the decision making process based on RBV	93	3.37	3.00	4	1	6	0.89
A number of points assigned to the logic of the decision making process based on RDT	93	2.63	3.00	2	0	5	0.86

Source: own study.

<sup>2</sup> The results of the aggregate values are calculated for the averages of all five statements jointly. Accordingly, these are not averages of particular characteristics of individual statements. They may assume noninteger values.

The other decision option, representing the external resource orientation and expressed in the statement: “While developing plans for the hospital, one should start with the stakeholder expectation analysis and move on to plan operations in such a way that the public hospital successfully meets the goals set by the stakeholders. On such a basis, necessary resources need to be obtained,” was chosen by the respondents less frequently. The average for this option was 2.63 (Table 4).

We learned that when making strategic decisions, managers start mostly from orientation toward internal rather than external orientation, although the majority considers these types to be simultaneous to some extent. Thus, we found more support for hypothesis *H3a*, yet the results also support hypothesis *H3b*.

In order to address the issue of building and acquiring resources we designed a vignette describing a situation in which the hypothetical manager of a hospital received additional funds from Poland’s National Health Fund (Narodowy Fundusz Zdrowia – NFZ) and could allocate them depending on his/her own preferences, on condition that they were going to be used in such a way that the organization’s competitiveness would be improved. The respondents were asked to distribute the sum of 100,000 among five different options corresponding to the priorities of particular stakeholder groups<sup>3</sup>:

1. Employees – pay rises for full-time medical doctors;
2. Patients – an investment in the infrastructure which would contribute to their greater comfort;
3. NFZ – an investment in the development of new services required by NFZ / developing the tender for contract;
4. Founding body – allocating the surplus to supplementary capitals in case of future losses;
5. Suppliers – the settlement of outdated liabilities with pharmaceutical companies.

<sup>3</sup> These stakeholders were identified as the most important in qualitative study conducted by the authors on the sample of healthcare managers. For more details please refer to: A. Frączkiewicz-Wronka (ed.), *Wykorzystanie analizy interesariuszy w zarządzaniu organizacją zdrowotną* [Using the Analysis of Stakeholders in Healthcare Organization’s Management] Katowice: Śląsk, 2012, Frączkiewicz-Wronka A.: *Podjęcie zasobowe w zarządzaniu organizacją publiczną – perspektywa interesariuszy* [Resource Approach in Public Organization Management – Stakeholder Perspective] [in:] R. Krupski (ed.) *Rozwój szkoły zasobowej zarządzania strategicznego, Prace Naukowe Wałbrzyskiej Szkoły Zarządzania i Przedsiębiorczości* [Development of the Strategic Management Resource School]. Scientific papers of the Wałbrzych School of Management and Entrepreneurship, Wałbrzych 2011, pp. 281–310.

The above list also shows the explored hierarchy of stakeholders which is the result of the allocated amount of money (the higher the sum of money for the group of stakeholders, the higher the position in the ranking). The pay rises were ranked first in the hierarchy. The explanation for such a choice is the consequence of both the importance of the doctors for providing the services and their insufficient number and/or the serious threat of their loss in cases of a too low level of remuneration. Such a situation can be partially explained by the phenomenon of soft budget constraints. The softening of the budget constraint occurs when there is an expectation of one party (hospital) that another one (NFZ) will cover their financial shortages (Babczuk, Kachniarz, 2012).

Then we sought to determine the importance of the estimated growth in the resources critical to the functioning of a public hospital for the respondents when assigning values to particular stakeholders. Put another way, dependencies between actions that are aimed at satisfying stakeholders and resources were searched for.

The analysis of the responses (Table 5) indicates that on the whole, the hierarchy of areas and the resources are not correlated.

Table 5  
Correlations of the rankings of the allocated amounts with resource groups

Stakeholders	Sample size	Correlation coefficients			
		Human resources	Financial resources	Material resources	Organizational resources
Employees	N=83	0.18	0.17	0.11	-0.17
NFZ	N=89	0.03	0.15	0.05	0.12
Suppliers	N=91	-0.07	-0.02	0.04	0.10
Patients	N=62	0.18	<b>0.25</b>	0.11	0.04
Founding body	N=61	0.03	0.03	0.03	0.12

Note: Statistically significant correlations are in bold ( $p = 0.05$ ).

Source: own study.

The only significant, but weak, correlation applies to patients and financial resources, which may be interpreted that the managers believe in increasing financial resources by means of investing in relationships with patients. Such a finding remains consistent with the logic of the healthcare market operation. Consequently, no evidence supporting  $H4$  was found.

## 5. CONCLUSIONS

The researchers interested in RBV are usually focused on examining different resources in relation to performance. Those who conduct research in the stream of RDT stress the efforts of organizations to reduce dependencies on external sources. In our research we focused on the importance of orientation towards internal and external resources for making strategic decisions based on the stakeholders approach.

We discovered that public hospital managers use both the resource dependence and resource based approach in their decision-making. They set the goals on the basis of both an organization's own resources and the resources owned by stakeholders. The organizations which fail to recognize the role of their own resources are also not interested in the resources present in their environment, and vice versa. We also found that orientation towards RBV and RDT, when used both to large extent, positively influences organizational effectiveness.

Inquiring into how the strategy making process occurs in hospitals, we established that while making plans the managers commence with an analysis of their own resources with regard to satisfying their stakeholders rather than with an examination of the expectations of stakeholders and acquiring the necessary resources. Thus, it might be concluded that the resource-based view is seen as primary to resource dependence perspective in making decisions. This is a typical logic for those organizations that are not active players and must rely primarily on their own resources. As there is a strong relationship between RBV and RDT, managers at the same time understand the importance of the resources possessed by stakeholders for the hospital's operating.

In our research we followed one of the questions proposed by Nelly, Adams and Kennerley (2002), that is what an organization needs from its stakeholders. The resource dependency theory indicates that organizations will pay more attention to stakeholders who control resources critical to the organization than to stakeholders who do not control vital resources. Until recently, according to Ferlie, Hartley, Martin (2003), the question of what initiatives public sector organizations undertake to manage different stakeholders and what their motivations are, remained unanswered. We made an assumption that the more money the respondents were willing to invest in relationships with particular stakeholders, the more important those stakeholders were. The managers were expected to be interested in investing

more in relationships if valuable resources were to be therefore gained. Surprisingly we found no correlations here, even though we found a correlation between RBV and RDT. Although stakeholders possess valuable resources that determine the operation of public hospitals, managers do not assume that an increase in the value of different resources is possible by means of managing stakeholders. Such a situation can be also explained by the lack of sufficient knowledge in this area, yet there can be also another possibility. The main problem of managers in public hospitals is the great influence of the political situation on a hospital's microenvironment and on senior and middle management staffing. The absence of economic markets for outputs and the reliance on governmental appropriations for financial resources lead to a situation in which institutional stakeholders, whose condition largely depends on hospitals performance, are of particular importance. This strong link results in their need for legitimacy in the community carried out without regard to the economic efficiency of the medical facility. In turn, political rationality displaces economic efficiency. The mayor of the municipality, which is usually a founding body, has a personal interest that the hospital functions regardless of debt. The closing of an inefficient hospital would not only cause destabilization in the local labour market, but also dissatisfaction among patients and their families, and could result in the loss of the electoral mandate. In small towns, hospitals are often the largest employers, hence closing down a hospital is likely to result in strong opposition from the local community. As a result, politicians are afraid of their future voters decisions, and rarely decide to close a hospital or even restructure it.

Decisions regarding hospitals' profiles and their senior and middle management staffing are often not necessarily related to the health needs of the local community, and based on political rather than economic criteria (Klich, 2007). The role of a founding body is, therefore, essential because the decisions to be made or the lobbied solutions directly determine staffing needs. The latter aspect is of particular importance in developing strategic plans associated with gathering competent personnel resources which will contribute to winning a lucrative contract with the payer (National Health Fund – NFZ). In the Polish healthcare system, hospitals (regardless of the entity that owns them) shall seek to get a contract with the NFZ and/or increase a contract and/or extend a contract with the possibility of having new health services. Contracting is related to the requirement to hold a certain amount of strictly medical staff with specific qualifications, therefore

local authorities interference in the actions taken by the hospital manager may in the long run lead to the destabilization of the hospital and the frustration of its manager.

Analyzing the actions (investments) performed to meet the needs of stakeholders, we discovered that there are reasons other than resources for which hospitals establish the designated hierarchy of stakeholders. Thus, the proposal of Mitchell, Agle and Wood (1997) may not be valid for public hospitals. Taking the mission of public hospitals into consideration, the satisfaction of key stakeholders should be perceived as a superior value and a valuable resource in itself. This may suggest that stakeholder management is characterized by a high level of ethics (Rodgers, Gago, 2004). A rival explanation might be offered, namely that managers may not see the relations between their actions and the possibility of gaining valuable resources. This remains consistent with the conclusion of Ackermann and Eden (2003), who found that many managers do not believe they can really manage their organizations in the strategic perspective. In their opinion, stakeholders have so much power over their strategic future that the organization cannot shape relationships with them.

This research ascertained that the managers understand the importance of recognizing internal and external resources and building competitive advantage using both sources. From a logical point of view, applying these two frameworks should positively influence the results of the hospitals which were revealed in our research as well. Yet managers may need more knowledge in recognizing the value of internal and external resources as well as the strategies of acquiring and developing these resources. They should particularly understand how to build their competitive advantage using the possessed resources and obtaining the ones controlled by stakeholders.

To sum up, we express the conviction that our research demonstrates the challenges of making strategic decisions with the use of the resource approach and stakeholder management for practitioners. We believe managers are more oriented towards the resources they already own, as they may find it difficult to take actions that result in acquiring resources from external sources. This may limit their efforts and reduce performance. That is why we suggest managers develop their knowledge and skills in stakeholder management, recognizing both the internal and external resources and presenting their own resources to be able to gain resources from stakeholders.

## 6. LIMITATIONS AND FUTURE RESEARCH

We are aware of the limitations of our study. First, the sample used in our research may not be representative. Second, we focused only on some reduced aspects of the discussed theories, and on a simplified framework. In our understanding of making strategic decisions related to stakeholders, we assumed that the higher the financial investments in satisfying the needs of a particular group of stakeholders, the more important the group. The RBV and RDT orientation as presented, is our subjective choice of main issues that may be treated as contradictions between these perspectives. Yet understanding what determines the decision-making process in public hospitals is a challenge for the reason that managers interpret the same internal or external stimulus quite differently. In our research we focus only on the perspective of the organization, not the stakeholders.

We perceive the need for future research that would integrate theories of resources with stakeholder theory. More evidence is required for the hospitals which use both RBV and RDT framework as a foundation for decision-making to achieve better results. The other potential subject of inquiry refers to the relationships between resources and stakeholders; namely whether there exists a relationship between the actions taken to satisfy key stakeholders and the resources obtained by a hospital as a result of these actions. To examine this, one should evaluate different kinds of resources in the context of stakeholder management strategies. Stakeholder theorists have emphasized the importance of balancing stakeholder interests, but little is known about the methods that managers can use to accomplish this goal (Reynolds, Schultz, Hekman, 2006).

Strategic planning is based on the premise that leaders and managers of public organizations must be effective strategists if organizations are to fulfil their missions, meet their mandates, and satisfy constituents in the years ahead (Bryson, 1995, p. ix). On the other hand, organizations also expect some contribution from stakeholders. Although we found no support for the dependence between investments in the possessed resources perceived by stakeholders as important, we believe future research may elucidate these relationships.

We believe that an organization's ability to configure its own resources and acquire resources from its environment may determine whether it is able to achieve competitive advantage or not. The processes of obtaining resources from the environment and developing the possessed resources are complementary and cannot be separated. Public hospitals need resources that

are outside the organization in order to satisfy their key stakeholders. To obtain them, public hospitals also need to present their own resources and capabilities, which requires cooperation with stakeholders. Some evidence suggests that different groups of stakeholders expect a different contribution from the hospitals, namely politicians and managers (decision-makers). One fruitful stream may concern actions that are taken towards internal, external and interface stakeholders (Malvey, Myron, Fottler, Slovensky, 2002). Further research that would reveal this mechanisms is needed.

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*Received: July 2014; revised: March 2017*